

Message Text

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PAGE 01 PANAMA 00101 072036Z

64

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 SAB-01 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 AGR-05 INT-05 AID-05 COME-00 EB-07

FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01

OMB-01 /107 W

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R 072015Z JAN 76

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 6253

INFO AMEMBASSY GUATEMALA

AMEMBASSY OTTAWA

AMEMBASSY SAN JOSE

PANCANAL

USSOUTHCOM

LIMITED OFFICIAL USE PANAMA 0101

E.O. 11652: N/A

TAGS: EMIN, PN

SUBJECT: CERRO COLORADO AGREEMENT ANNOUNCED; BANANA ACCORD
EXPECTED THIS WEEK

GUATEMALA FOR ROCAP

REF: (A) 75 PANAMA A-130 (NOTAL) (B) 75 PANAMA 7857 (NOTAL)

1. JOINT ANNOUNCEMENT JANUARY 6 BY NEWLY-CREATED CERRO COLORADO
MINING DEVELOPMENT CORPORATION (WHOLLY OWNED BY GOP) AND TEXASGULF
REPORTED AGREEMENT ON TWO CONTRACTS FOR EXPLOITATION OF CERRO
COLORADO COPPER DEPOSIT. SIGNATURE OF CONTRACTS EXPECTED IN
FEBRUARY FOLLOWING APPROVAL BY PANAMANIAN LEGISLATIVE COUNCIL
AND TEXASGULF BOARD OF DIRECTORS. FIRST CONTRACT WILL CREATE SEPARA-
TE CORPORATE ENTITY TO ADMINISTER MINING OPERATIONS WHICH WILL BE
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PAGE 02 PANAMA 00101 072036Z

80 PERCENT OWNED BY CERRO COLORADO MINING DEVELOPMENT CORPORATION

AND 20 PERCENT BY TEXASGULF. THE CONTRACT WOULD PERMIT PURCHASE OF TEXASGULF 20 PERCENT SHARE BY GOP AFTER 20 YEARS OF PRODUCTION. SECOND CONTRACT GIVES TEXASGULF RESPONSIBILITY FOR CONDUCTING FINAL, DETAILED FEASIBILITY STUDIES ON PROJECT, SUPERVISING CONSTRUCTION WORK, AND OPERATING MINE FOR 15 YEARS OF PRODUCTION.

2. LOCAL UNITED BRANDS (UB) REP BOBBY WALKER HAS INFORMED US THAT UB CHAIRMAN WALLACE BOOTH IS SCHEDULED TO RETURN HERE LATE JANUARY 8 TO SIGN NEW GOP-UB AGREEMENT (REF B ADVANCED DRAFT IN ENGLISH PROVIDED BY UB POUCH TO ARA/PAN).

3. COMMENT: IT THUS APPEARS THAT JANUARY 9 COMMEMORATION OF 1964 RIOTS WILL PROVIDE OCCASION FOR FORMAL ANNOUNCEMENT REGARDING RESOLUTION OF THESE TWO LONG-PENDING NEGOTIATIONS OF GREAT IMPORTANCE TO PANAMA'S ECONOMIC FUTURE. THE TWO AGREEMENTS WOULD COINCIDENTALLY DEMONSTRATE SUCCESS OF THIS PARTICULAR BRAND OF "REVOLUTION" IN DEALING WITH GIANTS OF U.S. CAPITALISM ON EVE OF GENERAL TORRIJOS' DEPARTURE FOR CUBAN VISIT. ANNOUNCEMENT REGARDING CERRO COLORADO INDICATES THAT AGREEMENT WAS REACHED AS ORIGINALLY ENVISAGED (SEE REFAIR) ON TWO-PRONG RELATIONSHIP BETWEEN GOP AND TEXASGULF, WITH LATTER ACTING BOTH AS MINORITY PARTNER AND MANAGER. COMPANY APPEARS TO HAVE ACHIEVED GOAL OF EXTENDING EFFECTIVE LENGTH OF CONTRACTURAL RELATIONSHIP WITH GOP BY HAVING PERIODS SPECIFIED (I.E. 20 AND 15 YEARS) BEGIN ONLY AFTER MINE HAS BEGUN PRODUCING.

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